

1201

RECEIVED
LEGISLATIVE AUDITOR
2009 JUL -6 AM 10:53

PRIMARY HEALTH SERVICES CENTER, INC.
MONROE, LOUISIANA

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2008
WITH SUMMARIZED COMPARATIVE INFORMATION
FOR 2007

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/5/09

JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

PRIMARY HEALTH SERVICES CENTER, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

CONTENTS

	<u>PAGE</u>
Independent Auditors' Report.....	1-2
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Functional Expenses.....	5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7-13
Supplemental Information	
Schedule of Expenditures of Federal Awards.....	14
Notes to Schedule of Expenditures of Federal Awards.....	15
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing</i> <i>Standards</i>	16-17
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance With OMB Circular A-133.....	18-20
Schedule of Findings and Questioned Costs.....	21-23
Primary Year Findings - Corrective Action.....	24

JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.

ROWLAND H. PERRY, CPA, APC
CHARLES L. JOHNSON, JR., CPA
VIOLET M. ROUSSEL, CPA, APC
JAY CUTHBERT, CPA, APAC
PAM BATTAGLIA, CPA
JULIAN B. JOHNSTON, CPA



"The CPA. Never Underestimate The Value."

Certified Public Accountants

3007 Armand Street
Monroe, Louisiana 71201
Telephone (318) 322-5156 or (318) 323-1411
Facsimile (318) 323-6331

- Accounting & Auditing
 - HUD Audits
 - Non-Profit Organizations
 - Governmental Organizations
- Business & Financial Planning
- Tax Preparation & Planning
 - Individual & Partnership
 - Corporate & Fiduciary
- Bookkeeping & Payroll Services

June 23, 2009

INDEPENDENT AUDITORS' REPORT

Board of Directors
Primary Health Services Center, Inc.
Monroe, Louisiana

We have audited the accompanying statements of financial position of Primary Health Services Center, Inc. (PHSC) as of December 31, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of PHSC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Primary Health Services Center, Inc. as of December 31, 2008, and the changes in its net assets, its functional expenses, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 23, 2009 on our consideration of PHSC's internal control over financial reporting and on our tests of its compliance

with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of PHSC taken as a whole. The accompanying financial information on pages 14 through 23 is presented for additional analysis, and is not a required part of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Johnston, Perry, Johnson & Associates, L.L.P.

JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

PRIMARY HEALTH SERVICES CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2008 WITH SUMMARIZED COMPARATIVE TOTALS FOR 2007

	<u>ASSETS</u>	
	<u>2008</u>	(Memo Only) <u>2007</u>
<u>CURRENT ASSETS</u>		
Cash	437,978	361,841
Accounts Receivable, Net	1,042,959	914,277
Prepaid Assets	<u>25,044</u>	<u>24,777</u>
<u>TOTAL CURRENT ASSETS</u>	<u>1,505,981</u>	<u>1,300,895</u>
<u>FIXED ASSETS</u>		
Property and Equipment, Net	<u>1,170,341</u>	<u>1,205,187</u>
<u>NET FIXED ASSETS</u>	<u>1,170,341</u>	<u>1,205,187</u>
<u>OTHER ASSETS</u>		
Deposits	5,990	5,990
Loan Costs, Net	4,589	5,011
Reserves	<u>7,033</u>	<u>6,991</u>
<u>TOTAL OTHER ASSETS</u>	<u>17,612</u>	<u>17,992</u>
<u>TOTAL ASSETS</u>	<u>2,693,934</u>	<u>2,524,074</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	302,558	197,295
Payroll Taxes Due	4,063	14,887
Mortgage Payable - Short-Term	<u>30,105</u>	<u>27,549</u>
<u>TOTAL CURRENT LIABILITIES</u>	<u>336,726</u>	<u>239,731</u>
<u>LONG-TERM LIABILITIES</u>		
Mortgages Payable - Long-Term	<u>357,210</u>	<u>390,703</u>
<u>TOTAL LONG-TERM LIABILITIES</u>	<u>357,210</u>	<u>390,703</u>
<u>TOTAL LIABILITIES</u>	<u>693,936</u>	<u>630,434</u>
<u>NET ASSETS</u>		
Unrestricted	1,393,415	1,199,557
Temporarily Restricted	<u>606,583</u>	<u>694,083</u>
<u>TOTAL NET ASSETS</u>	<u>1,999,998</u>	<u>1,893,640</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>2,693,934</u>	<u>2,524,074</u>

The accompanying notes are an integral part of these financial statements.

PRIMARY HEALTH SERVICES CENTER, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008 AND WITH SUMMARIZED
COMPARATIVE TOTALS FOR YEAR 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2008 Totals</u>	(Memo Only) <u>2007 Totals</u>
<u>REVENUE AND SUPPORT</u>				
Federal Grants				
Public Housing	1,351,853	-	1,351,853	1,235,993
Louisiana Dept. of Health and Hospitals	5,642	-	5,642	95,820
Medicaid/Medicare/Patient Donations	2,180,435	-	2,180,435	1,608,128
Rental Income	104,427	-	104,427	175,834
Other	-	-	-0-	9,102
Other	25,366	-	25,366	7,253
Net Assets Released from Restriction	694,083	(694,083)	-0-	-
Temporarily Restricted Revenue	-	606,583	606,583	694,083
<u>TOTAL REVENUE AND SUPPORT</u>	<u>4,361,806</u>	<u>(87,500)</u>	<u>4,274,306</u>	<u>3,826,213</u>
<u>EXPENSES</u>				
Program Expenses	3,265,779	-	3,265,779	2,648,654
Management and General	902,169	-	902,169	691,405
Fund Raising	-	-	-	-
<u>TOTAL EXPENSES</u>	<u>4,167,948</u>	<u>-0-</u>	<u>4,167,948</u>	<u>3,340,059</u>
<u>CHANGE IN NET ASSETS</u>	<u>193,858</u>	<u>(87,500)</u>	<u>106,358</u>	<u>486,154</u>
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>1,199,557</u>	<u>694,083</u>	<u>1,893,640</u>	<u>1,407,486</u>
<u>NET ASSETS - END OF YEAR</u>	<u>1,393,415</u>	<u>606,583</u>	<u>1,999,998</u>	<u>1,893,640</u>

The accompanying notes are an integral part of these financial statements.

- 4 -

JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

PRIMARY HEALTH SERVICES CENTER, INC.
STATEMENTS OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2008 AND WITH SUMMARIZED
COMPARATIVE TOTALS FOR YEAR 2007

ITEM	Public Health Service	Management & General	Fund Raising	2008 Totals	(Memo Only) 2007 Totals
Personnel	2,264,448	399,609	-	2,604,057	2,084,665
Fringe Benefits/ Insurance	223,071	39,366	-	262,437	237,843
Educational & Dues	-	65,197	-	65,197	61,185
Telephone	50,400	8,892	-	59,292	52,140
Interest	22,773	4,019	-	26,792	37,166
Office	70,249	105,373	-	175,622	125,965
Bad Debts	113,854	-	-	113,854	-
Professional Fees	27,030	40,544	-	67,574	20,306
Supplies & Services - Medical	105,259	-	-	105,259	186,428
Travel	-	2,403	-	2,403	4,639
Technical Assistance	-	90,913	-	90,913	52,298
Occupancy Cost	190,614	33,638	-	224,252	213,324
Other Costs	58,054	87,082	-	145,136	115,056
Depreciation	140,027	24,711	-	164,738	148,622
Amortization	-	422	-	422	422
<u>TOTALS</u>	<u>3,265,779</u>	<u>902,169</u>	<u>-0-</u>	<u>4,167,948</u>	<u>3,340,059</u>

The accompanying notes are an integral part of these financial statements.

- 5 -

JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

PRIMARY HEALTH SERVICES CENTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>2008</u>	(Memo Only) <u>2007</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Changes in Net Assets	106,358	486,154
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	165,160	149,044
(Increase) Decrease in Accounts Receivable	(128,682)	(436,079)
(Increase) Decrease in Prepaid Expenses	(267)	(6,368)
(Increase) Decrease in Other Assets	(42)	(41)
Increase (Decrease) in Accounts Payable	105,263	83,447
Increase (Decrease) in Accrued Payroll and Related Expenses	(10,824)	13,494
Net Cash Provided (Used) by Operating Activities	<u>236,966</u>	<u>289,651</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Acquisition of Capital Items	(129,892)	(564,555)
Net Cash Provided (Used) by Investing Activities	(129,892)	(564,555)
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Decrease in Notes Payable - Principal Payments	(30,937)	(26,157)
Net Cash Provided (Used) by Financing Activities	(30,937)	(26,157)
<u>NET INCREASE (DECREASE) IN CASH</u>	76,137	(301,061)
<u>CASH AT BEGINNING OF YEAR</u>	361,841	662,902
<u>CASH AT END OF YEAR</u>	<u>437,978</u>	<u>361,841</u>
Supplemental Information		
Interest Paid	26,792	37,166
Income Taxes Paid	-0-	-0-

The accompanying notes are an integral part of these financial statements.

- 6 -

JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

PRIMARY HEALTH SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1 - ORGANIZATION:

Primary Health Services Center, Inc. (PHSC) was incorporated in the State of Louisiana as a community-based health program, primarily composed of adult and children medical treatment service in Monroe, Louisiana and north Louisiana.

PHSC is organized to provide efficient and effective health care through the operation of a health delivery system designed to meet the medical needs of the community, i.e., early detection and diagnosis, and treatment of illnesses and injuries; to facilitate an understanding of the desirability of initiating a program of preventive medicine; and to generally improve and promote the improvement of the community, civilly and socially. PHSC provides comprehensive primary health care to area residents, with particular care for the economically disadvantaged. The services are provided through an outpatient clinic with a referral program and health education.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Accounting Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, actual results may differ from estimated amounts.

Major Funding Source

PHSC receives funds from the United States Department of Health and Human Services (HHS) under Section 330 of the Public Health Service Act (42 U.S.C. 254c). In accordance with HHS policies, all funds disbursed must be in compliance with the specific terms of the grant agreement. HHS may, at its discretion, request reimbursement for expenses or return of unexpended funds, or both, as a result of noncompliance by the Corporation with the terms of the grant. In addition, if PHSC terminates its HHS grant activities, all unexpended funds must be returned to the Department of Health and Human Services. Loss of these funds would have a material adverse effect on operations.

PRIMARY HEALTH SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Property and Equipment

Property and equipment are recorded at acquisition cost or fair market value if donated. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets. A summary of property and equipment is contained in Note 5.

Repairs and maintenance are charged to operations when incurred. Betterments and renewals are capitalized. When property and equipment are sold or otherwise disposed of, the asset and related accumulated depreciation are removed from the accounts and the resulting gain or loss is included in operations.

Income Taxes

PHSC is a non-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state codes. Accordingly, no provision for federal and state income taxes is included in the financial statements.

Prior-Year Summarized Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2008, from which the summarized information was derived.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash

PRIMARY HEALTH SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Cash and Cash Equivalents (Continued)

equivalents approximates fair value because of the short maturities of those financial instruments.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The organization has determined that fund raising costs are not material.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restrictions that expire in the same period are recorded as unrestricted income in the current period.

NOTE 3 - TEMPORARILY RESTRICTED NET ASSETS:

At December 31, 2008, temporarily restricted net assets of \$606,583 represent amounts awarded, but not received from federal and state grants. Amounts were received January through April 2009.

PRIMARY HEALTH SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 4 - ACCOUNTS RECEIVABLE:

The Corporation extends credit to patients, as well as third-party intermediaries responsible for medical services provided to patients. In most cases, the amount collected is less than the amount billed. Amounts uncollectible after 150 days are written off. Therefore, the receivable balance has been reduced to the amount considered collectible. The reserve for bad debts is \$178,982. A summary of accounts receivable is presented below:

<u>Source</u>	<u>2008</u>
Medicare	131,709
Medicaid	270,556
Private Third Party Insurance	110,980
Dept. of Health & Human Services	677,928
Community Care	8,142
Self Pay - Patients	22,131
Other	495
Less: Reserve for Bad Debts	(178,982)
<u>Total</u>	<u>1,042,959</u>

NOTE 5 - PROPERTY AND EQUIPMENT:

Property and certain equipment acquired with federal or state government funds are considered to be owned by PHSC while used in the program or in future authorized programs. However, the federal or state government retains a reversionary interest in these assets as well as the right to determine the use of any proceeds from the sale or disposal. Accordingly, PHSC may not transfer, mortgage, assign, lease, or in any other manner encumber these restricted items without prior approval of the federal government.

Major categories of property and equipment are as follows:

	<u>2008</u>
Land	75,000
Building	448,286
Computers	300,357
Improvements	288,562

PRIMARY HEALTH SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 5 - PROPERTY AND EQUIPMENT: (Continued)

	<u>2008</u>
Office Fixtures/Equipment	414,723
Vehicle	<u>267,625</u>
Total	1,794,553
Less: Accumulated Depreciation	<u>(624,212)</u>
Net Property and Equipment	<u>1,170,341</u>

NOTE 6 - DONATIONS:

Donations include the following:

In-Kind Rent	<u>61,104</u>
--------------	---------------

The expenditures of the donations are included in the appropriate category on the financial statements.

NOTE 7 - LEASES:

The Corporation has entered into a lease with St. Francis Medical Center for space to provide medical services and administration at S. D. Hill Clinic. Amounts due for the next five years are as follows:

2009	61,104
2010	61,104
2011	61,104
2012	-0-
2013	-0-

The lease renewed December 1, 2006 for five years. These amounts were paid by an in-kind donation by St. Francis Medical Center.

NOTE 8 - CONCENTRATION OF CREDIT RISK:

The Corporation's bank account balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 by each bank. At various times during the year the bank account balances exceeded \$250,000.

PRIMARY HEALTH SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 9 - LOAN COSTS:

Loan cost consists of a commitment fee of 1.5% of the DeSiard Street mortgage loan amount \$4,335 and 1% of the Betin Street mortgage loan amount \$2,000. This will be amortized over a 15-year period. Amortization expense for 2008 is \$422.

NOTE 10 - RESERVES:

Reserves consist of an account at Hope Credit Union in the amount of \$7,033, which is pledged to the payment of the mortgage loan and may only be withdrawn or disbursed with the written authorization of the mortgage company.

NOTE 11 - NOTES PAYABLE:

Long-term debt consists of a DeSiard Street mortgage note that was refinanced November 22, 2006 in the amount of \$271,828 payable to Enterprise Corporation of the Delta over a 12-year period. The mortgage is payable in monthly installments of \$2,753, including interest at 7.75%, and adjusted quarterly for flexible interest rate. The interest rate on this note will not exceed 8.5%. The facility is pledged as collateral on the note. The current portion of the mortgage payable represents the amount of the principle which will be repaid during the next year.

Long-term debt consists of a Betin Street mortgage note in the original amount of \$200,000 payable to Enterprise Corporation of the Delta over a 10-year period. The mortgage is payable in monthly installments of \$2,531, including interest at 7.25%, and adjusted quarterly for flexible interest rate. The interest rate on this note will not exceed 9.0%. The facility is pledged as collateral on the note. The current portion of the mortgage payable represents the amount of the principle which will be repaid during the next year.

The following is a schedule of the principle amounts maturing during the next five years:

PRIMARY HEALTH SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 11 - NOTES PAYABLE: (Continued)

Year Ended <u>December 31</u>	Desiard Street Principle <u>Maturing</u>	Betin Street Principle <u>Maturing</u>
2009	13,103	17,002
2010	14,278	18,620
2011	15,558	20,391
2012	16,953	22,332
2013	18,473	24,457

NOTE 12 - PENSION PLAN:

During 2006, the Corporation established a SIMPLE IRA retirement plan for all qualified employees (those who reasonably expect to make \$5,000 or more a year). During 2008, the Corporation contributed \$24,072 to the plan for its share of the required employer match. Employees generally can contribute \$10,500 of their yearly salary to their IRA and the Corporation will match up to 3% of salary.

NOTE 13 - LEGAL MATTERS:

The Corporation is a party to litigation incident to ordinary course of business. Although the results of litigation and claims cannot be predicted with certainty, we believe the outcome on any litigation will not have a material adverse effect on our financial statements.

NOTE 14 - SUBSEQUENT EVENTS:

In May 2009, PHSC purchased a building located at 850 South Second Street, Monroe, Louisiana for \$550,000.

SUPPLEMENTAL DATA

PRIMARY HEALTH SERVICES CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

<u>FEDERAL GRANTOR/ PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>GRANT NUMBER</u>	<u>EXPENDITURES</u>
U.S. Department of Health and Human Services <u>Bureau of Primary Health Care</u>			
Community Health Centers*	93.224	H80CS 00754	<u>1,958,436</u>
<u>Total Expenditures of Federal Awards</u>			<u>1,958,436</u>

* Major Program

The accompanying notes are an integral part of this schedule.

- 14 -

JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

PRIMARY HEALTH SERVICES CENTER, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE A BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Primary Health Services Center, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE B SUBRECIPIENTS

During 2008, the Corporation did not have any subrecipients.

JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.

ROWLAND H. PERRY, CPA, APC
CHARLES L. JOHNSON, JR., CPA
VIOLET M. ROUSSEL, CPA, APC
JAY CUTHBERT, CPA, APAC
PAM BATTAGLIA, CPA
JULIAN B. JOHNSTON, CPA



"The CPA. Never Underestimate The Value."

Certified Public Accountants

3007 Armand Street
Monroe, Louisiana 71201
Telephone (318) 322-5156 or (318) 323-1411
Facsimile (318) 323-6331

- Accounting & Auditing
 - HUD Audits
 - Non-Profit Organizations
 - Governmental Organizations
- Business & Financial Planning
- Tax Preparation & Planning
 - Individual & Partnership
 - Corporate & Fiduciary
- Bookkeeping & Payroll Services

June 23, 2009

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Primary Health Services Center, Inc.
Monroe, Louisiana

We have audited the financial statements of Primary Health Services Center, Inc. as of and for the year ended December 31, 2008, and have issued our report thereon dated June 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered PHSC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PHSC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control

deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. These findings are identified in the schedule of findings and questioned costs as items 2008-1, 2008-2, and 2008-3.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether PHSC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use management, the audit committee, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Johnston, Perry, Johnson & Associates, L.L.P.

JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.

ROWLAND H. PERRY, CPA, APC
CHARLES L. JOHNSON, JR., CPA
VIOLET M. ROUSSEL, CPA, APC
JAY CUTHBERT, CPA, APAC
PAM BATTAGLIA, CPA
JULIAN B. JOHNSTON, CPA



"The CPA. Never Underestimate The Value."

Certified Public Accountants

3007 Armand Street
Monroe, Louisiana 71201
Telephone (318) 322-5156 or (318) 323-1411
Facsimile (318) 323-6331

- Accounting & Auditing
 - HUD Audits
 - Non-Profit Organizations
 - Governmental Organizations
- Business & Financial Planning
- Tax Preparation & Planning
 - Individual & Partnership
 - Corporate & Fiduciary
- Bookkeeping & Payroll Services

June 23, 2009

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Primary Health Services Center, Inc.
Monroe, Louisiana

Compliance

We have audited the compliance of Primary Health Services Center, Inc. (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal program(s) for the year ended December 31, 2008. PHSC's major federal program(s) are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal program(s) is the responsibility of PHSC's management. Our responsibility is to express an opinion on PHSC's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about PHSC's compliance with

those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of PHSC's compliance with those requirements.

In our opinion, PHSC complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control over Compliance

The management of PHSC is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered PHSC's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of PHSC's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in PHSC's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2008-1, 2008-2, and 2008-3 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

PHSC's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit PHSC's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana R.S. 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Johnston, Perry, Johnson & Associates, L.L.P.

JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

PRIMARY HEALTH SERVICES CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

* Material weakness(es) identified? ☐ yes ☒ no

* Significant deficiency(s) identified that
are not considered to be material weakness(es) ☒ yes ☐ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

* Material weakness (es) identified? ☐ yes ☒ no

* Significant deficiency(s) identified that are not
considered to be material weaknesses? ☒ yes ☐ none reported

Type of auditors' report issued on compliance for major programs:
Unqualified

Any audit findings disclosed that are required to be
reported in accordance with section 510 (a) of
Circular A-133? ☐ yes ☒ no

Identification of major programs:

CFDA Number (s)	Name of Federal Program or Cluster
93.224	Public Housing Community Health Center

Dollar threshold used to distinguish
Between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☐ yes ☒ no

PRIMARY HEALTH SERVICES CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2008

SECTION II - FINDINGS AND RECOMMENDATIONS

2008-1

Condition: PHSC does not have a formal policy addressing educational leave or advances to employees in the personnel policies.

Criteria: PHSC should have a formal policy addressing educational leave or advances to employees in the personnel policies.

Effect: This finding has no material effect on the financial statements.

Recommendation: We recommend that management update the personnel policies to include a formal policy for educational leave and advances to employees.

Management Response: Management agrees they should have a formal policy addressing educational leave and advances to employees.

Auditors' Comments: Management agrees to update the personnel policies to include a formal policy for educational leave and advances to employees.

2008-2

Condition: We noted that an employment contract was modified by mutual agreement with the Board of Directors and an employee but the written contract has not been updated with the changes.

Criteria: Any changes made to written contracts should be reflected in the written contract by adding an addendum to said contract.

Effect: This finding has no material effect on the financial statements.

PRIMARY HEALTH SERVICES CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2008

SECTION II - FINDINGS AND RECOMMENDATIONS (Continued)

2008-2 (Continued)

Recommendation: We recommend that any approved changes to contracts/ agreements be modified by a written addendum and signed by all parties.

Management Response: Management agrees with this finding.

Auditors' Comments: Management agrees to modify any approved changes to contracts/ agreements be modified by a written addendum and signed by all parties.

2008-3

Condition: A few employees were paid for extra work performed on special projects that was not reported on their W-2s.

Criteria: All wages paid to employees are subject to withholding taxes and are to be included in their W-2 wages per IRS rules.

Effect: This finding has no material effect on the financial statements.

Recommendation: We recommend that all wages paid to employees be included on their W-2s and subject to withholding taxes.

Management Response: Management agrees with this finding.

Auditors' Comments: Management agrees to include all wages paid to employees on their W-2s and subject to withholding taxes.

PRIMARY HEALTH SERVICES CENTER, INC.
PRIOR YEAR FINDINGS-CORRECTIVE ACTION
FOR THE YEAR ENDED DECEMBER 31, 2008

2007-1

Condition: Accounts receivable detail did not agree with the general ledger account balance.

Recommendation: We recommend that management implement procedures that ensure that details of accounts receivable agree with the general ledger account balance.

Result: Accounts receivable detail now agrees with the general ledger account balance.